Q. Which conclusion should the Commission adopt?

A. There is no credible evidence that Ameritech's switches are processor-limited. Ameritech's actual utilization rates average 27.9%[34], consistent with the view that processor capacity is not the constraining factor.

Q. Are you recommending that the Commission not rely on SCIS as all?

A. No, not entirely. My conclusions are two-fold. First, the entire objective of SCIS -- to estimate the cost of an individual use of the switch -- is inconsistent with the definition of an unbundled local switching network element. The ULS represents a per-line claim on each resource in the switch, and is no different than Ameritech paying its manufacturers a per-line price for all the composite features of the switch. A per-line rate structure is appropriate for the ULS.

Second, SCIS is based on a flawed assumption that switches are processor-limited, and this assumption produces a usage-bias that is not correct. Thus, even in situations where the cost of an *individual* use is the relevant question, Ameritech's SCIS run is likely to produce too high an estimate.

Q. Are there circumstances where a usage-rate would be appropriate?

A. Yes. The UNE network element is unique because it represents the purchase of all the functionality of the switch. But there are instances where the relevant cost-object is an individual use of the switch. In these instances, SCIS may be a useful proxy model, but only if its usage-bias is removed.

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[34] Ameritech response to WorldCom's First Set of Data Requests, Data Request No. 5. See Schedule 2.

For instance, one of the carrier-services at issue in this proceeding is the cost of termination, that is, the cost to complete a call from another switch through to an end-user. SCIS is the only model I am aware of that can estimate (perhaps a better word is approximate) a cost for this usage. Because both Ameritech and its ULS-based rivals will be providing other carriers call termination (for both local and long distance calls), a corrected SCIS may provide a reasonable basis to establish this charge.

Q. **Mr. Palmer notes two switches, with the same number of lines, but with difference usage characteristics, would have different costs.[35] Would you comment on this observation?**

A. I agree with Mr. Palmer that switches with different specifications would have different costs. What Mr. Palmer ignores, however, is that the result would be different *per-line* charge from the switch vendor. For this charge, Ameritech would receive the specified configuration. The ULS network element provides an entrant capacity in this *same* switch, defined by the *same* set of specifications, to be used to offer service to the *same* set of customers, and the cost-basis to the entrant should be the same as the cost-basis to Ameritech.[36]

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35 Ameritech Exhibit 3.1 (Palmer Rebuttal), page 43. Specifically, Mr. Palmer notes that these switches would require different line concentration ratios to provide the same grade of service and, as a result, different quantities of line interface equipment are required in each system.

36 There may come a point in the distant future where the usage characteristics of some entrants' customers are fundamentally and predictably different than others (or Ameritech), and that the consequence of these demand patterns require different switch specifications than those currently used by Ameritech as monopoly provider. At *that* point, it may be reasonable to consider more complicated rate structures for ULS capacity. But at present, as entrants first approach a market buying capacity in switches that have already been designed to meet the *aggregate* demand of the entire market, there is no reason to assume that the switch-capacity needs of entrants will have cost-consequences different than Ameritech's own specifications.

Q. **Are there other portions of Mr. Palmer's rebuttal testimony which raise questions concerning the validity of Ameritech's cost studies?**

A. Yes. My direct testimony pointed out that to the extent usage is a cost-driver of switch investment, it is *busy-hour* usage. My point was that the Commission should not automatically equate busy-hour costs as usage costs. Deciding to recover busy-hour costs in usage rates is a pricing, not costing, decision.

Mr. Palmer's response to my point, however, underscores a fundamental concern with Ameritech's "cost" studies:

> SCIS determines peak period investments as the basis for costs since peak period demand is the cost causer. How to price telephone service during non-peak periods is a cost recovery decision by Ameritech. SCIS results, if used directly, would charge for calls made during the peak period only, giving all others a "free-ride".[37]

What Mr. Palmer is admitting is that Ameritech's cost-studies don't end once they estimate a cost (accurate, or not). Rather, its "cost" studies represent a blend of cost analysis and Ameritech's pricing decisions. In this instance, Ameritech's testimony is that SCIS calculates cost correctly, so long as you don't believe that its results can *really* be used without modification.

It is not my intention here to dispute the merits of establishing a single usage charge -- so long as the usage rate is not inflated and it is not confused with the appropriate price of the ULS network element. It is important, however, to separate Ameritech's *pricing decisions* from its *costs analysis* and Mr. Palmer's admission makes clear that Ameritech's "cost" studies do not. What is not clear is how frequently Ameritech has crossed this line.

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[37] Ameritech Exhibit 3.1 (Palmer Rebuttal), page 44.

Q. **Mr. Palmer also claims that it is appropriate to include "customer operations expense" in the local switching usage charge. Do you agree?**

A. No. Mr. Palmer's entire justification for including "Customer Operations Expense" in the local switching usage rate consists of the following sentence:

> The customer operations expenses assigned to usage in this case are not retail costs but rather costs associated with serving wholesale customers, including Mr. Gillan's clients.[38]

With this bald assertion, Mr. Palmer expects the Commission to increase the usage cost of local switching by nearly 20%! Nowhere does Mr. Palmer explain what functions these costs are associated with or, more fundamentally, how such costs are related in any way to usage. Nor does Mr. Palmer explain how any value based on Ameritech's Account 6623 (Customers Operations Expense) could be relevant to the provision of a ULS network element that Ameritech is not yet conceding it must offer in the future, much less has never offered in the past.

Q. **How should the Commission establish the local switching charges?**

A. First, the Commission should adopt a per-line rate structure for the ULS network element. This structure parallels the contractual pricing used by Ameritech's switch vendors and best reflects the all-inclusive nature of the ULS network element.

Second, the Commission should adopt a ULS rate of $5.02 per line. This rate accepts (but does not endorse) the underlying investment cost per line calculated by SCIS, but does not assign a portion of this cost to usage. As such, the

[38] Ameritech Exhibit 3.1 (Palmer Rebuttal), page 44.

calculation assumes that SCIS can reasonably predict the manufacturer's composite price, but it does not decompose this price into a line and usage component. The specific calculation is provided on Schedule 3.

Third, Ameritech should be directed to refile, within 30 days, a summary of its contract arrangements for local switching with an analysis that validates that this SCIS-based calculation reasonably estimates the actual, per-line, cost of switching.[39]

The Unexplained Revenue Requirement

Q. **What is the "residual" that is at issue in this proceeding?**

A. A more accurate term to describe the "residual" is unexplained revenue requirement. It represents the difference between the total economic cost of the network, including all of the company's shared and common costs necessary to operate and manage the network, and Ameritech's 1994 revenues.

Q. **What types of costs are in the "residual"?**

A. This question is deliberately framed in the conventional manner, *accepting* the view that the residual consists of "costs". Such a perspective, however, is fundamentally in error -- the residual is the *difference* between economic cost and historic revenues. It may include other costs or simply represent profit. The

[39] In this compliance investigation, I recommend that the Commission should identify its order as an interim order, to continue the pursuit of an actual working unbundled network elements tariff which complies in detail with the decisions of the Commission and the FCC. Neither the Commission nor the parties should be placed in the position of awaiting for Ameritech to file yet another noncomplying tariff proposal then go through the delay of determining to suspend the proposal and initiating a new docket from scratch. The current focus and action should be continued, with discovery commencing immediately upon Ameritech's refiling pursuant to the directives in the Commission's interim order.

principal point of my surrebuttal testimony is that the mere fact that there is a residual does not explain its cause or justify its imposition on rivals.

Q. **How does Staff propose to treat the residual?**

A. The Staff has proposed *excluding* the residual from the rates for local transport and termination, but *including* a portion of the residual in the rates of unbundled network elements.

Q. **Do you agree with Staff's recommendation that the residual be excluded from the charges for transport and termination?**

A. Yes. Furthermore, I believe that Ameritech's rebuttal to Staff's recommendation demonstrates just how far removed the "residual" is from any plausible description as a cost at all. For instance, consider Mr. Gebhardt's attempt to rebutt Staff's position that "residual" costs are not "additional costs":

> I would also argue that residual costs are additional costs when demand shifts from services to network elements. In this case the residual should be thought of as shifting to the network elements where cost recovery can occur.[40]

This logic exposes Ameritech's true motivation. Today, Ameritech receives unexplained revenues from a customer (that is, revenues that exceed the total economic, shared, and common costs of serving the customer). If the customer chooses a competitor, Ameritech would not receive these unexplained revenues. Therefore, according to Ameritech, when the customer shifts to a competitor purchasing network elements, the "residual" becomes an "additional cost" simply because Ameritech enjoys the opportunity to impose it on its competitor.

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[40] Ameritech Exhibit 1.1 (Gebhardt Rebuttal), page 13.

Ameritech's rationale here proves that the residual is neither additional nor a cost. It is simply an effort by Ameritech at revenue protection. Nothing more, nothing less.

Q. **Do you agree with Staff's rationale for including a portion of the residual in the rates for unbundled network elements?**

A. No. I fundamentally disagree with Staff's position because it adopts an explanation for this unexplained residual that is not correct:

> ...it is equitable for an adjusted pro rata portion of Ameritech Illinois's residual costs to be attributed to, and recovered through, its rates for UNEs and interconnection arrangements. This is because Ameritech Illinois' investments in its network infrastructure have allowed it to develop the economies of scale that its network enjoys, and from which new entrants will benefit.[41]

Importantly, there is not one single piece of evidence which suggests that the residual is caused by network investments that are not otherwise reflected in Ameritech's TELRIC studies. All that is known is that there is a *difference* between aggregate TELRICs, shared and common costs, and a historic revenue level. There is no evidence, however, which documents *why*.

Q. **Who should bear the burden of demonstrating that the "residual" is the source of economies of scale as assumed by Staff?**

A. Assuming arguendo that Staff's logic is reasonable, the need would remain to prove that the supposition is correct. Because Ameritech would be the beneficiary of any such conclusion, Ameritech should bear the burden of demonstrating that

[41] Staff Exhibit 3.01 (Toppozada-Yow Rebuttal), page 2.

the residual *can be* explained by infrastructure investments that are not included in its TELRIC.

Nowhere, however, has Ameritech made any such showing. I note that Mr. Gebhardt criticizes Dr. Ankum's equally compelling explanation that the residual is the result of inefficiency by noting:

> ... I am astounded that Dr. Ankum could make such a claim without any study and without any knowledge of Ameritech Illinois' operations.[42]

This is a classic example of the kettle complaining to the pot. The difference being, however, that the kettle believes it is entitled to enrichment at the expense of the pot.

Q. **What do you recommend?**

A. I will not repeat here every theoretical and policy reason that argues against Ameritech being permitted to inflate its network element prices by a factor to cover its unexplained revenue requirement (i.e., the residual). Rather, I simply emphasize a very practical one. There is not one shred of record evidence that permits the Commission to determine *why* residual revenues exist. Because the Commission cannot determine what has caused the residual, it cannot adopt *any* logic which attributes it to the prices of unbundled network elements. For this reason alone, the Commission must reject Staff's proposal to increase the prices of unbundled network elements above their respective costs, including a reasonable return.[43]

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42 Ameritech Exhibit 1.1 (Gebhardt Rebuttal), page 10.

43 If the Commission accepts Staff's premise, however, it should also adopt Staff's recommendations which adjusts the residual factor.

Non Recurring Charges

Q. Why should the Commission be especially concerned with non-recurring charges.

A. The fundamental intent of the Federal Act is to *eliminate* barriers to entry in the local market. The basic effect of a NRC, however, is to *create* a barrier to entry. Although imposed on the entrant, non-recurring charges apply to the activities necessary to attract and serve end-users when a network element is initially obtained, reconfigured or modified to offer a new service. Because NRCs are imposed when change occurs, they fundamentally protect the status quo. Each non-recurring cost becomes a brick in a competitive barrier -- either by discouraging a rival from entering altogether, or by discouraging a customer from using another's services. In particular, any charge that is tied to a customer's decision to change carriers constitutes a barrier to the exercise of that choice and provides the incumbent a shield from competitive pressures.[44]

Q. What non-recurring issues do you address in this surrebuttal testimony?

A. There are three NRC issues that I respond to: (1) Mr. O'Brien's claim that Ameritech's NRC charges for network element *combinations* are appropriate, (2) Mr. Price's preliminary comments concerning Ameritech's proposed Billing Establishment Charge, and (3) Dr. Aron's assertion that entrants should pay for Ameritech's one-time costs to comply with the Federal Act.

Q. Please address Mr. O'Brien's defense that Ameritech's proposed NRCs for network element combinations are appropriate.

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[44] Later in my testimony I remind the Commission that no such barrier limits Ameritech's ability to attract and retain long distance customers. Barriers in that market have fallen as a result of the nation's two-decades-long experience with long distance competition.

A. Mr. O'Brien supplemental rebuttal testimony explains Ameritech's NRC policy for network element combinations as follows:

> ... once a CLEC has established an unbundled local switching arrangement and associated routing and trunking in a particular central office, converting subsequent end user customers in that central office will require only the ordering of the unbundled loop and the unbundled local switching line port, with nothing more than the appropriate nonrecurring charges associated with these two elements charged.[45]

However, non-recurring charges that apply to *individual* unbundled loops and ports are not appropriate when these components are ordered as a *combination.* When provision as individual element, Ameritech would be performing substantially different activities -- for instance, circuit disconnections, insertion of testing points, cross-connections to another network -- that simply do not apply when a combination is ordered. As a result, *acknowledging* that Ameritech proposes to apply the nonrecurring charges associated with each individual element is *admitting* that it intends to impose excessive charges on entrants.

Q. Has Ameritech even proposed non-recurring charges that recognize the much lower non-recurring costs associated with a network element combination?

A. No. In my rebuttal testimony was an Ameritech data response which clearly stated that Ameritech was not proposing *any* charges applicable to network element combinations in this proceeding.[46] Even though this is the *compliance* filing to the Commission's *Wholesale/Network Elements Order* granting WorldCom's specific

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45 Ameritech Exhibit 2.2 (O'Brien Supplemental Rebuttal), page 15.

46 WorldCom Exhibit No. 1.2 (Gillan Rebuttal), page 5 (WorldCom First Set of Data Requests, Data Request No. 12).

request for a platform offering, Ameritech acknowledges that no such charges are including with its filing.

One of the principal potential benefits of network element combinations, however, is that they minimize the cost to move customers among competing local providers. The unique non-recurring circumstances of network element combinations require that logical combinations of network elements be offered with standardized ordering procedures and far lower NRCs. Where the entrant chooses to exercise its right to preexisting combinations, the applicable non-recurring charge should be *de minimis* -- certainly no greater than the PIC-change charge associated with a comparable event, a change in long distance provider.

Q. What do you recommend?

A. Ameritech's rebuttal testimony documents that it never intends to propose cost-based NRCs for network element combinations, including the platform. Of course, the longer it delays, the longer it retains its monopoly. As a result, waiting for Ameritech to comply with the Commission's order is not acceptable -- after all, this is their compliance filing to the *Wholesale/Network Elements Order* and yet they ignore the Commission's order that Ameritech offer combinations. To prevent delaying competition until yet another round of compliance tariffs are investigated, I recommend an interim NRC of $5.00 per line, Ameritech's charge for a change in long distance carrier. This rate level is far larger than the estimated cost for this process, [47] so its application in the interim would *more than* compensate Ameritech while still permitting competition to proceed.

[47] BellSouth has reduced its PIC change charge to $1.49 and has provided the FCC a cost study which shows that its costs are less.

Q. What is Staff's initial reaction to Ameritech's proposed Billing Establishment Charge (BEC)?

A. Staff's testimony indicated that they had not yet framed a recommendation concerning the BEC. However, their description of the cost-basis for the BEC indicated a mistaken belief that Ameritech must reprogram its billing systems and switching systems for each new user.[48]

This belief is incorrect. Ameritech's proposed BEC recovers what Ameritech alleges are its total cost to establish a billing system that is independent of the number of carriers or end offices where unbundled local switching is ordered:

> The Usage Development and Implementation Charge recovers the costs required to make the extensive modifications to Ameritech's ordering and billing systems which were necessary to accommodate ULS.[49]

As noted in my rebuttal testimony, most of these costs are caused by Ameritech's own peculiar view of its ULS product, in particular its treatment of the trunks that terminate transport facilities. As explained, these attributes of Ameritech's ULS *product* are unnecessary for a ULS *network element*, were adopted by Ameritech to establish a barrier to entry, and should not be imposed on competitors.[50] Even the remaining component, however, is not incurred each time an entrant requests ULS at an end-office and Mr. Price's supposition is incorrect.

Q. Do you have an update to your proposed billing establishment charge?

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48 ICC Staff Exhibit 1.01 (Price Rebuttal), page 4.

49 Ameritech Exhibit 2.2 (O'Brien Supplemental Rebuttal), page 21.

50 A historical analogy would be the Chinese charging the Mongols for the cost of constructing the Great Wall.

A. Yes. My original proposal contained a computational error which, when corrected, results in an estimated cost of $33.35 per entrant, per switch.[51] Although I am providing this calculation for the Commission's consideration, I continue to recommend that the Commission consider the alternative of having no billing establishment charge.

Q. Dr. Aron recommends that Ameritech's one-time costs to establish the operational systems required by the Federal Act should be imposed on entrants.[52] Do you agree?

A. No. Although the cost to *use* operational systems necessary to implement the Federal Act is a legitimate cost to recover in NRCs charged entrants, the costs to *establish* these systems are not. Every carrier will incur costs so that the industry changes envisioned by the Federal Act become a reality. The fact that Ameritech's network monopoly provides it the *opportunity* to impose its costs on others does not mean that it should be permitted to do so. These one-time "transition" or "compliance" costs are internal to each industry participant and Ameritech should not be allowed to include them in its charges for unbundled network elements.

First, the cost of designing electronic gateways, the downstream operational support systems, and processes that allow competing carriers to have real-time electronic access is a requirement of the Federal Act and the public policy adopted by Congress. These compliance costs are not attributable to any particular carriers' request for service. These costs stem, instead, from the Federal Act's

51 The error overstated the projected demand. Because I consider my projected demand to be conservative, the computed amount should be considered an absolute upper bound of a reasonable billing establishment charge.

52 Ameritech Exhibit 6.1 (Aron Rebuttal), page 21.

mandate that local exchange markets should be open to competition.[53] Ameritech's costs to comply with Congressional policy should not be shifted to other carriers.

Second, the Commission should expect that the new operational systems implemented by Ameritech to comply with the Federal Act will also benefit Ameritech's own retail services. Ameritech is essentially a "purchaser" of network elements when it provides retail service, and upgrading its systems may improve the efficiency of its operations as well. Federal Act compliance cannot become an excuse for Ameritech to modernize its systems with is competitors picking up the tab.

Finally, there is no evidence that Ameritech uniquely, or even disproportionally, incurs costs necessary to achieve the competitive environment contemplated by the Federal Act. For each and every operating system that Ameritech implements to support local competition, entrants must develop and install a corresponding system on their side of the interface for competition to proceed. There is no reason to expect that Ameritech's costs are any more (or less) significant than the costs of other market participants.

Q. But aren't Ameritech's obligations under the Federal Act mandatory, while others may choose to continue with "business as usual"?

A. No. Ameritech may argue this point, but its own testimony emphasizes the important of becoming a full service competitor in tomorrow's market. The Federal Act requires that Ameritech take actions to open the local market. But, by including the conditional promise of interLATA authority, the Federal Act places

[53] Congress frequently enacts statutes that impose costs on those who must comply. In this regard, there is nothing unusual about the costs caused by the Federal Act. What is unusual is Ameritech's market position – a position which would enable it, absent Commission action, to impose *its* costs on *other* providers.

just as real an obligation on long distance carriers to take corresponding actions (and incur the corresponding cost) to enter the local market to respond with full-service packages of their own.

The linkage between the recovery of industry transition/compliance costs and Ameritech's entry as a long distance carrier has two important dimensions. First, the Commission should recognize that the Federal Act already includes a compensating provision to Ameritech's obligation to open its market to competition: in-region, interLATA entry. Any view that Congress did not balance Ameritech's obligations with opportunity is patently false. Second, and more importantly, Ameritech will be entering a long distance market characterized by mature operating systems which minimize the cost of its entry -- operating systems which the interexchange industry has already paid to have implemented.[54]

Q. **Will the operational systems that were implemented to establish a competitive long distance market now benefit Ameritech?**

A. Yes. Divestiture, and the FCC rules which followed it, fundamentally restructured the industry to foster long distance competition. Ameritech's ability to rapidly offer long distance services (once its obtains legal authority) is a direct consequence of these prior actions. The operational systems necessary to support the long distance equivalent to network elements and wholesale service are fully implemented. With 15 years (or more) of practical experience, the operational barriers to long distance competition are now gone.

54 Fifteen years ago, when the divestiture agreement was announced, the nation's telecommunications infrastructure was not designed to support a competitive long distance industry. Switches routed long distance calls to a single network; billing systems were designed to support end-user, not carrier, billing; conventional dialing patterns were available only to the monopoly provider; and operational systems were all internal to the local exchange carrier and its affiliated long distance entity with no capability to support competition.

The lasting legacy of the industry changes to facilitate long distance competition is that these same systems now stand ready to accommodate Ameritech's entry to the long distance market. Ameritech should not be permitted to benefit from these systems, however, while imposing on its rivals its costs to establish similar systems that would make local competition possible. This is particularly true given that each of its competitors must also incur their own costs to interface with Ameritech's systems. To do so would provide Ameritech an advantage in the coming full-service market that is wholly unjustified.

Summary and Final Recommendations

Q. Please summarize how the network element combination you have discussed throughout this proceeding would be offered and priced.

A. The network element combination (i.e., the platform) I have described throughout my testimony would consist of three basic elements: the loop, the switch, and access to the interoffice network for the transport and termination of calls.

Q. How would an entrant order this combination?

A. Entrants intending to offer service using the ULS network element would first identify the basic routing parameters they intend to use for their customers served at an end office. Two standard choices should be provided immediately. The first would rely on the pre-existing algorithms in the switch for call routing. The second would provide customized routing for operator (0-) and directory traffic (411).[55]

[55] In addition, in accordance with the FCC order in CC Docket No. 92-105, entrants should also be provided the ability for customized routing of repair (611) and business office (811) calls when those capabilities are made available.

The non-recurring charge for this preparation activity should be no more than $33.35 per entrant, per switch. My primary recommendation, however, is that the Commission should not adopt any non-recurring charge for Ameritech accepting this order because of the *di minimis* nature of the charge and the unreliability of Ameritech's cost support.

Q. **After a carrier has indicated the routing algorithms that should apply to its subscriber's traffic, what occurs next?**

A. The entrant would begin processing orders for individual lines. I expect that most situations will involve conversion of the pre-existing loop/port combination. When this conversation does not require any physical rearrangement in the facilities connecting the end-user, I recommend a non-recurring charge no greater than $5.00 per line.

Q. **How will the entrant compensate Ameritech for the loop/port combination?**

A. The entrant will compensate Ameritech for each combination through the sum of two per-line charges: a charge for the loop and a charge for the ULS network element. Because I have not reviewed Ameritech's proposed unbundled loop rates -- or the testimony criticizing those charges -- I am not recommending a specific rate level for the loop component. The recurring loop rate should be the same whether the loop is ordered individually or part of a combination.

As noted earlier in my testimony, I recommend that the Commission establish the per-line charge for the local switching network element (basic port) at $5.02/port/month. Ameritech's charges for other port-types (DID, ISDN, etc...)

should be established to maintain the same relationship to Ameritech's proposed basis port charge.[56]

Q. **What charges will be assessed for local usage?**

A. Under the ULS rate structure I am recommending, there would be no additional charges to a ULS-purchaser for intra-switch usage.[57] Usage charges would apply, however, when the ULS-purchaser uses the common interoffice network for the transport and termination of local calls. The rate that would apply for this function should be no greater than the $0.004153 recommended in my rebuttal testimony.

Q. **How will switched access charges be applied?**

A. In most circumstances, switched access will be provided on a "meet-point" basis where Ameritech (or an alternative provider) supplies the transport, and either Ameritech (for its end-users) or the ULS-entrant (for its end-users) provides the switched access functions of local switching and common line. As such, for its end-users, the ULS-entrant will charge the interstate RIC, Local Switching and CCLC rates elements, as well as their intrastate counterparts.[58]

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[56] The logic for this recommendation is that my criticism is based primarily on Ameritech's selection of an inappropriate rate structure for the ULS network element. Although I am accepting Ameritech's proposed rate relationships among port-types to be valid, I have not been able to verify these relationships independently. Ameritech should include in the SCIS-to-contract rate comparison recommended earlier, an analysis which validates all port types.

[57] I note that this rate structure renders irrelevant Mr. O'Brien's discussion concerning which ULS-based carrier should be charged for switching an intra-switch call. (Ameritech Exhibit 2.2 (O'Brien Supplemental Rebuttal), page 10). Intra-switch calling utilizes a switching matrix that is a resource common to all carriers providing service using the local switch, both ULS-based entrants and Ameritech itself.

[58] To the extent that Ameritech is not yet able to provide accurate billing records for terminating access minutes to the ULS-entrant, the Commission should direct Ameritech to propose a valid surrogate system within 30 days, consistent with their offer in ICC Docket

The access arrangement that I suggest is directly comparable to a situation where Ameritech and an independent jointly provide switched access service to an interexchange carrier, with Ameritech providing the transport and the independent providing the end-office function and beyond.[59]

Q. **Do you have a concluding observation?**

A. Yes. This proceeding involves a number of highly detailed issues. As the Commission decides them, however, I encourage it to step back and remember its fundamental goal. The objective is to establish, as rapidly as possible, an environment where customers can choose competitive providers of local (and long distance) communication services.

The question it should ask is what set of recommended prices and tariff conditions will establish that environment? Ameritech's recommendations are plainly designed to limit entry and raise competitors' costs. Ameritech is entitled to cost-based compensation for the elements that it provides, and I recognize that the parties will disagree as to the level of those charges. What the Commission cannot tolerate *at all*, however, are those positions intended to limit access to a network element, exclude functionality, or have Ameritech decide the terms and conditions under which it will permit competition to proceed. This is simply not Ameritech's role.

No. 94-0404 to work cooperatively to develop a reasonable system for terminating access billing.

[59] In many instances, the independent may also provide a portion of the transport to an agreed meet-point at the exchange boundary. While the billing percentages may vary (in the case of ULS, the Ameritech-provided transport percentage is likely to be 100%), the basic framework is identical.

This next order of the Commission cannot leave open the possibility of additional delay by Ameritech. Where the Commission is uncertain regarding a rate or practice, it should order an interim resolution that enables competition to proceed, even if it must also require that Ameritech prepare and file additional studies. Ameritech, however, cannot be allowed to control the timing of local competition.

Q. **Does this conclude your surrebuttal testimony**

A. Yes.

5.3 Unbundled Interoffice Transmission Facilities (Cont'd)

5.3.4. Rates and Charges (Cont'd)

1. Unbundled Common Transport between an End Office and Tandem or between two Telephone Company End Offices may only be purchased in connection with Telephone Company Unbundled Switching.
This network element allows a TC access to Unbundled Common transmission facilities, routing on the same basis that the Telephone Company routes and delivers its' own traffic.

Unbundled Common Transport

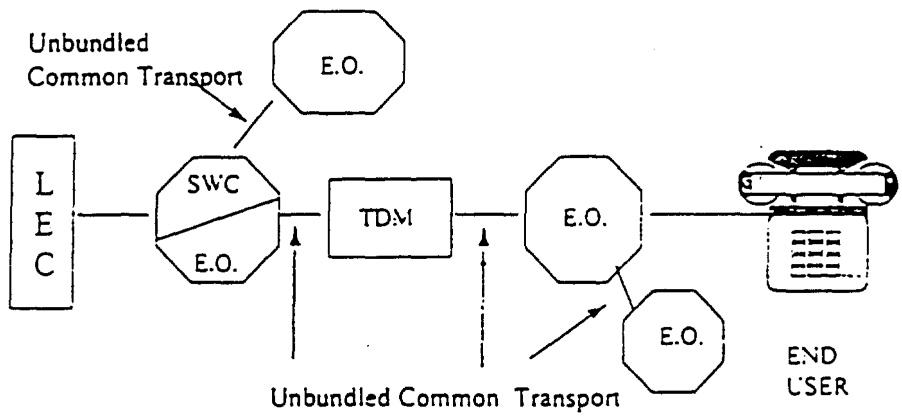

Diagram: 1

Billing Rate Structure:
Billing: The calls routed on the Unbundled Common trunks will be billed an unbundled common transport charge (UCTC) by Minutes of Use (MOU). rated from the Originating TC Node to a Telephone Company End Office based on a composite rate which includes directly routed traffic and Tandem routed traffic. The formula for calculation of this charge may be found in Section 5.6.1.6. The Minute Of Use Charge (MOU) will be aggregated at the Telephone Company switch and rounded up to the next whole minute each month.

SCHEDULE 2

PROPRIETARY

SCHEDULE 3

PROPRIETARY